



## **Canacol Energy Ltd. Tests 46.3 MMSCFPD (8,123 BOEPD) from 8<sup>th</sup> Consecutive Colombian Gas Discovery at Toronja 1 Validating New Commercial Shallow Gas Play**

CALGARY, ALBERTA - (June 27, 2017) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX: CNE; OTCQX: CNEEF; BVC: CNEC) is pleased to provide the following update for the Toronja 1 exploration well, the Corporation's eighth consecutive gas discovery in the Lower Magdalena Basin. The Corporation also announces the addition of a fourth gas exploration well, Gaitero 1, to its drilling program for 2017, and provides an update on its gas flowline project.

Mr. Mark Teare, Senior Vice President of Exploration at Canacol, commented "Toronja 1 marks another success in the new, high impact, shallow Porquero sandstone gas play that we tested last year with the Nelson 6 exploration well, with Toronja 1 successfully testing at a combined rate of 46 MMscf/d. The Toronja 1 and Nelson 6 discoveries unlock an important new commercial gas play spread across our 1.2 million net acres on our five exploration contracts located in the Lower Magdalena Basin. The same seismic processing and interpretation techniques we have been using in the past to identify gas pre-drill within the deeper CDO prospects have been successfully applied to the shallower Porquero gas prospects, allowing us to detect the presence of gas within the prospect prior to drilling. This technique has yielded a discovery rate of 89% for our gas exploration drilling program over the past three years, a remarkable success rate for any oil and gas company within the context of worldwide conventional gas exploration. We observe four additional Porquero prospects nearby Toronja 1, each exhibiting the characteristic seismic anomaly indicative of the presence of gas. Using the results of the Nelson 6 and Toronja 1 discoveries, our technical teams are busy mapping this new gas fairway across our blocks to identify additional opportunities for future drilling beyond the 44 prospects and leads we have identified in the deeper Cienaga de Oro reservoir. We anticipate that the shallow Porquero play will add significant new reserves to the Corporation's already ample reserves base in the coming years."

Mr. Ravi Sharma, Chief Operating Officer at Canacol, commented "We are very pleased to have drilled yet another gas discovery in Colombia, our eighth consecutive one, and even more pleased to have drilled it in a record six days, 41% below planned budget. The efficiencies we are achieving in our gas drilling program have resulted in significant capital savings, so much so that we can add an additional gas exploration well, Gaitero 1, to our drilling program for 2017. With the successful results at the Canahuate 1 and now the Toronja 1 exploration wells this year, which tested at rates of 28 MMscf/d and 46 MMscf/d respectively, and two more high potential gas exploration wells remaining to drill this year, Canacol continues to move closer towards realizing our objective of producing 230 MMscf/d of gas in December 2018. I am also pleased to report that our gas flowline project is advancing according to schedule, and Canacol is in the process of closing a US\$40 million equity placement in the SPV. This allows us to achieve our goal of lifting gas production and sales to 130 MMscf/d by December 1, 2017."

***Toronja 1 Gas Discovery  
VIM 21 Exploration and Production ("E&P") Contract  
CNE Oil and Gas S.A.S., 100% Operated Working Interest***

The Toronja 1 exploration well was spud on May 28, 2017 and reached a total depth of 7,200 feet measured depth ("ft md") in six days. The well encountered gas between 4,875 to 6,256 ft md (4,775 to 5,956 feet true vertical depth) with average porosity of 20% within the primary Porquero sandstone reservoir target.

Two different zones were completed and flow tested within the Porquero. The first zone tested was perforated between 4,865 to 4,884 ft md and flowed at a final stabilized rate of 24.4 million standard cubic feet per day ("MMscf/d") of dry gas at a flowing tubing head pressure of 813 pounds per square inch ("psi") and 70/64-inch choke with no water over a 44 hour test period. The second zone tested was perforated between 6,249 to 6,257 ft md and flowed at a final stabilized rate of 21.9 MMscf/d of dry gas at a flowing tubing head pressure of 818 psi and 70/64-inch choke with no water over a 37 hour

test period. Work is underway to tie the Toronja 1 well into the Corporation's gas processing facility at Jobo approximately 3 kilometers ("kms") to the south.

**Pandereta 1 Gas Exploration Well**  
**VIM 5 Exploration and Production Contract**  
**CNE Oil and Gas S.A.S., 100 % Operated Working Interest**

The Pandereta 1 exploration well is located approximately 10 kms to the east of the Clarinete and Oboe fields on the VIM 5 contract. The Pandereta prospect is a normal faulted three-way anticline imaged on 3D seismic data. The objective of the well are proven sandstones of the Cienaga de Oro ("CDO") reservoir, productive in the Clarinete and Oboe gas discoveries. The well will be spud in early October 2017 and is expected to be drilled and tested five weeks after spud.

**Gaitero 1 Gas Exploration Well**  
**VIM 5 Exploration and Production Contract**  
**CNE Oil and Gas S.A.S., 100% Operated Working Interest**

Upon completion of the testing of the Pandereta 1 well, the rig will be mobilized approximately 6 kms to the north to drill the Gaitero 1 exploration well. The Gaitero prospect is a normal faulted three-way anticline imaged on 3D seismic data. The objective of the well are proven sandstones of the CDO reservoir. The well will spud in mid November 2017 and is expected to be drilled and tested five weeks after spud.

**Gas Flowline Project**

The Special Purpose Vehicle ("SPV") is in the process of closing a US\$40 million equity placement with a group of private investors which will be used to fund the construction of the flowline, with closing anticipated in mid to late July 2017. Meanwhile, the SPV has acquired approximately 60% of the right of way for the flowline, and has purchased two parcels of land for the compression stations. Fabrication and sailing of the tubulars and compression stations is on schedule, with all equipment anticipated to arrive in Colombia prior to mid August 2017. Construction of the flowline is anticipated to commence in the last week of August 2017. Pressure testing of the flowline and compression stations is anticipated to commence in mid November 2017, with the flowline anticipated to commence deliveries of gas to Cartagena via a connection to the Promigas S.A. pipeline in Bremen on December 1, 2017.

The Corporation shall provide updates on the exploration drilling program as information becomes available.

*Canacol is an exploration and production company with operations focused in Colombia, Ecuador, and Mexico. The Corporation's common stock trades on the Toronto Stock Exchange, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, and CNE.C, respectively.*

*This press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, including without limitation statements relating to estimated production rates from the Corporation's properties and intended work programs and associated timelines. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry. Other risk factors could include risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, and other factors, many of which are beyond the control of the Corporation.*

*This press release contains non-GAAP measures such as EBITDAX, funds from operations, working capital, operating netback per barrel and realized contractual gas sales that do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Corporation's performance and financial results.*

*Realized contractual gas sales is defined as gas produced and sold plus gas revenues received from nominated take or pay contracts.*

*Boe conversion – The term “boe” is used in this news release. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this news release, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.*

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